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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 8, 2020

Mr. Jeremy M. Goldberg
Interim Chief Information Officer
Office of Information Technology Services
Empire State Plaza
P.O. Box 2062
Albany, NY 12220

Re: Oversight of Information Technology
Consultants and Contract Staffing
Report 2020-F-21

Dear Mr. Goldberg:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of Information Technology Services (ITS) to implement the recommendations contained in our audit report *Oversight of Information Technology Consultants and Contract Staffing* (Report [2018-S-38](#)).

Background, Scope, and Objective

ITS was established in November 2012 as part of a New York State Information Technology Transformation to consolidate and merge State agencies' operations and streamline information technology (IT) services. As the State's centralized technology agency, ITS provides statewide IT strategic direction, directs IT policy, and delivers centralized IT products and services that support the mission of the State. ITS has a contracts and procurement unit that oversees the procurement of both contracts and other purchases, including those for IT services provided by consultants and contract staff. According to ITS' policies, program managers are responsible for monitoring project deliverables and timelines, and then determining if deliverables are acceptable and milestones have been met.

Generally, contracts contain reporting requirements for contractors (e.g., performance metrics), which serve as a means for ITS to accurately monitor contractor deliverables. In addition to the deliverables and terms outlined in their contract or task order, contractors and consultants must comply with the predefined standards – generic terms and conditions for all ITS contracts – outlined within the State ITS Standard Contract Clauses. In the fiscal year ended March 31, 2020, ITS had 585 contract employees supporting ITS functions and spent \$39 million in consultant and contract labor. The contract employees include both those procured through the Office of General Services' hourly based IT services contract and those under ITS agency contracts.

Our initial audit report, issued September 16, 2019, sought to determine if ITS was adequately monitoring IT services procured from consultants and contract staff to ensure

compliance with contract terms and deliverables. Our audit covered ITS agreements between April 1, 2015 and July 12, 2018 and subsequent documentation and information provided by ITS through April 29, 2019. During our initial audit we found, in general, that ITS was monitoring IT services procured from consultants and contract staff to ensure compliance with contract terms and deliverables. For 14 of the 20 contracts we reviewed, ITS provided adequate oversight to ensure that the contractor or consultant was meeting the deliverables. For the remaining six contracts, for which ITS paid out more than \$156 million, deficiencies in contract monitoring – primarily of contractors’ reporting and documentation requirements – create a risk that ITS may not have received the required deliverables. Most notably, we found significant monitoring deficiencies for the International Business Machines (IBM) Service Desk contract as compared to the others in our sample that also had monitoring deficiencies.

The objective of our follow-up was to assess the extent of implementation, as of August 18, 2020, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

ITS officials have made progress in addressing the problems we identified in the initial audit. Both of the initial report’s recommendations were implemented.

Follow-Up Observations

Recommendation 1

Strengthen the monitoring of all agreements for greater consistency across ITS, and ensure that all deliverables are met and received within the required time frame in order to protect the interests of the State.

Status – Implemented

Agency Action – ITS has taken steps to strengthen the monitoring of all agreements for greater consistency across the agency, and to ensure that all deliverables are met and received within the required time frame in order to protect the interests of the State. ITS Procurement and Contract Support (PaCS) and Division of Legal Affairs (DLA) reviewed standard contract language and ensured it contained adequate language to bind contractors to contract terms. In addition, ITS PaCS and DLA have developed measures to assist program staff with monitoring. For example, ITS developed contract evaluation tools and administers weekly and biweekly contract review and procurement meetings designed to assist management and program staff with monitoring and enforcement activities. ITS is also in the process of implementing contract compliance training that was developed and finalized in early 2020; however, the training was postponed due to COVID-19 pandemic-related support efforts. Lastly, a number of ITS employees attended classes geared toward contract monitoring and procurement at the 2019 Office of the State Comptroller’s Fall Conference.

Recommendation 2

Formally evaluate the IBM Service Desk contract and take necessary steps to ensure that the IBM contract staff are in compliance.

Status – Implemented

Agency Action – ITS evaluated the IBM Service Desk contract and has taken steps to ensure

that contracted staff comply with contract requirements. For example, IBM is now providing metrics such as invoice amounts, the sum of Service Level Credits, and detailed performance information in weekly and monthly reports that were not sufficiently integrated into IBM reporting at the time of our original audit.

Major contributors to this report were Amanda Eveleth, Charles Lansburg, Mark Womeldorph, and Melissa Patnaude.

We thank the management and staff of the Office of Information Technology Services for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Nadine Morrell, CIA, CISM
Audit Director

cc: Mr. Rob Russell, ITS